

FAX

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CC:

REMARKS: Urgent For your review Reply ASAP Please Comment

Date

7/10/96

Number of pages including cover sheet

4

FROM: Kenneth S. Williams
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RECEIVED
JUL 10 1996

BENJAMIN S. FEINGOLD

S-2570



FOR OUTSIDE COUNSEL'S
EYES ONLY



7/10/96

TO: ALAN LEVINE

As we discussed by phone yesterday, attached are details on the current status on DVD encryption.

While SONY's proposal is superior, there is strong political pressure to go with Matsushita.

We would like to strongly support SONY from SPE's status as a major software player, but need to know the Company's bottom line on this issue, especially since previously Mr. Idei was quoted in the press as not being a strong proponent of DVD encryption. This comment is being used against us in meetings with the technical group.

I'm hopeful you will have an opportunity to raise this issue during Mr. Idei's visit.

cc: Ben Feingold
Bill Humphrey
Linda Carpenter

kgw

KENNETH S. WILLIAMS

S-2571

INTER-OFFICE COMMUNICATION



To: Kenneth S. Williams
From: William A. Humphrey
Date: July 10, 1996
Subject: DVD Copy Protection Proposal / Alan Levine - Mr. Ideas

I. DISCUSSION POINTS

- The DVD Copy Protection Experts Group is in the final stages of selecting a copy protection proposal for recommendation to the DVD consortium for adaptation across all industries. Matsushita Electronics proposal is very close to being adopted.
- Sony's DVD group has proposed an alternative copy protection that is recognized by the DVD Protection Experts Group to be more robust but will demand at least another two to six months to implement. SPE supports Sony's alternative proposal and believes that stronger copy protection is worth waiting for, even if it means risking a delay in the launch.
- Though SPE strongly believes in the importance of protecting our software products on DVD, we do not want to take a position that appears inconsistent with Sony Corporate. SPE is requesting clear direction on Sony Corporate's position.
- The next meeting of the DVD Copy Protection Experts Group will be July 18th. The purpose is to choose a copy protection method for recommendation for adaptation. This decision will be included in the DVD Specifications Book to be published July 31, 1996.

II. POLITICAL ISSUE

- The Matsushita Electronics proposal is currently the leading contender, having won the support of Warner, Toshiba, Microsoft, IBM and Intel. MEI's proposal is generally acknowledged to be a weak form of protection representing an expedient solution to implement. The appropriate technology for protection is being compromised because Toshiba and Warner have a vested interest in accelerating the launch. They have spent considerable time lobbying the computer companies to support the MEI proposal.
- Any delay of the launch in favor of copy protection will not be supported by the MEI group.
- Disney, Paramount and Fox have no commitment to the format.

III. TECHNICAL EXPLANATIONS

- Potentially the most dangerous aspect of MEI's new proposal is the provision for software decryption. Should this be adopted, this provision opens the door to manipulation of video content in the computer. The previous proposal was strictly a hardware decryption solution, which made video content manipulation more difficult.

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- The MEI proposal is based on an encryption code of 40 bit key length. This is considered easy to break by skilled computer hackers. However, the US Government prohibits export of encryption beyond 40 bit key length.
- Details about the Matsushita proposal have been withheld from Sony, making the proposal difficult to evaluate. There may be more flaws in the proposal that need further investigation.
- The Sony proposal calls for a data encryption method that is more robust as well as pre-scrambling of video.

cc. L. Carpenter